



U.S. SENATE COMMITTEE ON

# Finance

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## Senate Passes Grassley-Baucus Tax RELIEF Act

WASHINGTON – The Senate today passed legislation to provide substantial tax relief over the next decade to Americans across the income spectrum. The landmark measure provides the biggest tax cut in 20 years; it came from the Committee on Finance, led by Sen. Chuck Grassley, the chairman, and Sen. Max Baucus, the leading Democrat.

“This bill will help struggling families make ends meet,” Grassley said. “It will help parents and students afford a college education. It will let a father who finally earns a good paycheck after years of work to better provide for his aging mother. The ways to use this refund vary as much as the number of households across America.”

The Senate passed the *Restoring Earnings to Lift Individuals and Empower Families (RELIEF) Act* of 2001 on a vote of 62 to 38. The final bill is nearly identical to the measure passed by the Committee on Finance last Tuesday. After days of debate, the Senate didn’t adopt any amendments that substantially changed the legislation. A group of non-controversial proposals identified through the amendment process and reviewed by Grassley and Baucus were included in a manager’s amendment as part of the final passage.

The bill immediately will go to a House-Senate conference committee that will iron out the differences between the Senate- and House-passed tax relief measures. Senate leaders hope to have the conference committee’s work completed by Friday, with a bill on President Bush’s desk by Memorial Day.

Grassley said the RELIEF Act was built upon bipartisanship; consultation with many senators, including all Finance Committee members; and the recognition that nobody in a 50-50 Senate can get everything they want, but maybe a majority can get something they can support. The RELIEF Act includes:

- ▶ Affordable tax relief. The budget surplus is projected to exceed tax cuts every year covered in this legislation, from 2001 to 2011, with a comfortable margin. The ratio of surplus to tax cuts gets bigger toward the end. The tax bill refunds only 24 cents of each dollar of the projected surplus.
- ▶ Secure funding for national priorities. The budget resolution takes care of this. That blueprint provides record levels of funding for education, prescription drugs and defense. It pays down every dollar that is possible to pay down on the national debt over the 10 years of the budget resolution.

- ▶ Across-the-board cuts of individual income tax rates. This bill creates a new 10-percent rate that will apply retroactively to the beginning of this year. This new low rate will apply to income that is currently taxed at a 15 percent rate. That means people who are hit first by the 15 percent rate will know that going back to January 1 this year, they'll pay 10 percent, not 15 percent, on their first taxable dollars after deductions. That will give immediate tax cuts to millions of Americans. It also will provide an immediate stimulus to the economy.

For married persons, the upper end of the 15 percent rate bracket will be expanded to include income currently taxed at the 28 percent rate. So for those people being taxed at 28 percent, they'll see more of their income taxed at the 15 percent rate. The current 28 percent rate will drop to 25 percent. The current 31 percent rate will fall to 28 percent. The existing 36 percent and 39.6 percent rates will be lowered to 33 and 36, respectively.

- ▶ Immediate death tax relief and eventual death tax repeal. This recognizes that death shouldn't be a taxable event.
- ▶ Expanded child credit. The bill embraces President Bush's proposal of expanding the child credit to \$1,000. It also includes a new proposal that will allow the child credit to benefit working families that would n't otherwise receive the child credit under current law because they have too little or no income tax liability.
- ▶ Marriage penalty relief. The package gives income tax relief to married couples with both spouses working as well as only one spouse working. This relief will begin in 2005.
- ▶ Retirement savings. The legislation allows Americans to save more money in their retirement plans. It provides a special incentive for low- and middle-income savers. It encourages employers to offer pensions.
- ▶ Education savings. These steps include removing the limitation on the deductibility of student loan interest and raising the amount that can be contributed to an education savings account from \$500 to \$2,000.

Grassley said the bill's tax cuts are phased in to accommodate how much budget surplus projections will allow. He said he would have preferred even deeper cuts. "But the budget blueprint limits how much we can cut each year," Grassley said. "And the federal tax burden is a big, mean beast. It wasn't grown overnight, and it can't be tamed in a day."

Grassley said President Bush deserves credit for his leadership on tax relief. "President Bush planted the seed of tax cuts as candidate Bush, months ago," Grassley said. "With cultivation in Congress, his seedling has thrived. Today, the Senate helped to decide whether Americans will reap a harvest of tax relief."